

Message Text

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21

ACTION NEA-10

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TAGS: ECON EG

SUBJECT: REDUCTION OF GOVERNMENT SUBSIDIES

1. HIGHER PLANNING COMMITTEE, UNDERCHAIRMANSHIP PRIME MINISTER MAMDUH SALEM DUE TO TAKE UP QUESTION OF REDUCTION OF GOVERNMENT COMMODITY SUBSIDIES APRIL 28. PM SALEM MADE REPORT ON PLANNED DISCUSSION TO PRESIDENT SADAT APRIL 27, PRESUMABLY TO GAIN PRESIDENTIAL APPROVAL FOR PROPOSALS.
2. ACCORDING TO PRESS APRIL 24, GOVERNMENT PROPOSES REDUCE TOTAL SUBSIDY BILL BY 100 MILLION POUNDS (TOTAL PROJECTED 1976 SUBSIDY FIGURE WAS 650 MILLION POUNDS). GOVERNMENT ADDS THAT MEASURES WILL NOT AFFECT LOW INCOME CITIZENS.
3. ALTERNATIVES FOR REDUCING SUBSIDIES ARE DESCRIBED AS FOLLOWS:
 - (A) WITHDRAW RATION CARDS FROM HIGH INCOME CITIZENS, THUS SPREADING USE OF TWO PRICE SYSTEM FOR COMMODITIES AND DROPPING SOME COMMODITIES USED BY HIGH INCOME GROUP FROM LIST OF SUBSIDIZED LIST. HIGH INCOME CITIZENS DESCRIBED AS THOSE WHO ARE SUBJECT TO INCOME TAX PROVISIONS, I.E., THOSE WHO EARN MORE THAN 1,200 POUNDS ANNUALLY. MANY

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OPPOSE THIS BECAUSE IT PUNISHES THOSE WHO PAY TAXES AND

REWARDS THOSE WHO DO NOT.

(B) ABOLISH SUBSIDIES ENTIRELY AND DISTRIBUTE FUNDS AS COST OF LIVING ALLOWANCES TO GOVERNMENT EMPLOYEES. ARGUMENTS AGAINST THIS ARE THAT THOSE WHO WOULD SUFFER MOST ARE NON-GOVERNMENT EMPLOYEES AND PENSIONERS.

(C) KEEP ONLY A CERTAIN NUMBER OF ESSENTIAL COMMODITIES ON RATION LIST SUCH AS TEA AND SUGAR AND ALLOW ALL OTHER COMMODITIES TO BE SOLD AT FREE MARKET PRICES.

4. SEVERAL OTHER MEASURES ARE DESCRIBED AS HAVING BEEN AGREED UPON. THEY ARE:

(A) ABOLISHING SUBSIDY ON SUGAR USED BY BAKERIES,

(B) ABOLISHING SUBSIDIES ON FOOD USED IN HOTELS,

(C) DISTRIBUTING SOME COMMODITIES SUCH AS MEAT AND CHICKEN ON A RATION SYSTEM FOR LOW INCOME GROUP.

5. COMMENT. GOE CLEARLY PREPARING POPULATION FOR SOME CHANGE IN CURRENT SUBSIDY LEVELS. FACT THAT ASSURANCES AND CONDITIONS ARE BEING MADE ESPECIALLY FOR LOWER INCOME GROUP IS EVIDENCE OF POLITICAL SENSITIVITY THIS SUBJECT. LOWER MIDDLE INCOME GROUP WHO ARE INCREASING INCOME AS RESULT OPEN DOOR POLICIES SEEM TO BE SLATED TO TAKE BRUNT OF THESE MEASURES.
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